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**LAKE TEXOMA ASSOCIATION**

**ANNUAL FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

LAKE TEXOMA ASSOCIATION  
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YEAR ENDED JUNE 30, 2013

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## Independent Auditor's Report

Board of Directors  
Lake Texoma Association

### Report on the Financial Statements

We have audited the accompanying financial statements of Lake Texoma Association (a nonprofit organization), which comprise the statement of assets, liabilities and net assets-cash basis as of June 30, 2013 and the related statements of revenues, expenses and changes in net assets – cash basis for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Lake Texoma Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lake Texoma Association's internal control. Accordingly, we express no such an opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the cash basis net assets of Lake Texoma Association as of June 30, 2013 and the changes in cash basis net assets for the year then ended in conformity with basis of accounting described in Note 1.

## Other Matters

### Report on Supplementary and Other Information

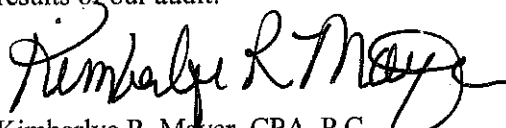
Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2013 on our consideration of Lake Texoma Association's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

  
Kimberlye R. Mayer, CPA, P.C.  
Blackwell, Oklahoma  
November 8, 2013

LAKE TEXOMA ASSOCIATION  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS  
CASH BASIS  
JUNE 30, 2013

ASSETS

Operating cash	\$ 47,293
Certificates of deposit	23,731
Total Cash and Cash Equivalents	<u>71,024</u>
Certificates of deposit	<u>14,077</u>
Total Assets	<u><u>\$ 85,101</u></u>

LIABILITIES AND NET ASSETS

Liabilities	\$
Net Assets:	
Unrestricted	<u>85,101</u>
Total Net Assets	<u>85,101</u>
Total Liabilities and Net Assets	<u><u>\$ 85,101</u></u>

LAKE TEXOMA ASSOCIATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
CASH BASIS  
YEAR ENDED JUNE 30, 2013

Revenues:	
State matching funds (Note 3)	\$ 56,413
Membership dues	14,560
Revenue from Richardson advertising sales	74,604
Advertising sales	14,597
Events income	77,993
Interest income	<u>107</u>
Total Revenues	238,274
Expenses:	
Administrative:	
Allowable	9,956
Discretionary	<u>112,335</u>
Total Administrative	122,291
Promotional:	
Allowable	39,824
Discretionary	<u>81,533</u>
Total Promotional	<u>121,357</u>
Total Expenses	<u>243,648</u>
Revenues over (under) expenses	(5,374)
Net Assets, beginning of year	<u>90,475</u>
Net Assets, end of year	<u><u>\$ 85,101</u></u>

The accompanying report and notes are an integral part of these financial statements.

LAKE TEXOMA ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Organization

Lake Texoma Association is a not-for-profit organization that was established to promote the conservation and development of water resources of Lake Texoma, and to satisfy the needs of the growing population for flood control, navigation, pollution control and recreation. The Association is exempt from federal and state income taxes as a 501(c)(6) organization.

Basis of Accounting

The Association maintains its records on the basis of cash receipts and disbursements. Under the cash basis, revenues are recognized when received, rather than when earned, expenditures are recognized as expenses when paid, rather than incurred.

Property and Equipment

Purchases of and capital lease payments on property and equipment are recorded as expenses in the year of purchase.

Cash and Cash Equivalents

For the purpose of financial reporting, cash and cash equivalents include all checking and savings accounts and certificates of deposit with a maturity of three months or less.

NOTE 2 – CONTINGENCIES:

Grant expenditures are subject to financial and compliance audits by the grantor agencies or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures that are disallowed under the terms of the grant. The Association believes that the amount of the expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE 3 – STATE MATCHING FUNDS:

The Oklahoma State Legislature appropriates funds which are available to multi-county organizations through the Oklahoma Tourism and Recreation Department. Lake Texoma Association, on an annual basis, contractually agrees to assist the Department in the promotion of tourism. The Department allocates funds to match allowable expenditures made by Lake Texoma Association. Allowable expenditures are promotional and administrative expenses which comply with contract guidelines. Matching funds to be paid each fiscal year by the Department are limited by the contract. Lake Texoma Association files reports and supporting

LAKE TEXOMA ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 3 – STATE MATCHING FUNDS (continued):

documentation with the Department to prove its adherence with the contract. Upon the Department's approval of these reports, the matching funds are paid to Lake Texoma Association.

State matching funds allocated to the fiscal year ended June 30, 2013 were \$49,780 which were received in the fiscal year ended June 30, 2013. State matching funds of \$6,633 allocated to the fiscal year ended June 30, 2012 were received in the fiscal year ending June 30, 2013.

NOTE 4 – RETIREMENT PLAN:

The Association maintains Simple IRA accounts for its participating employees. The Association contributes 3% of gross wages to the participating employees Simple IRA accounts. Contributions for the year ended June 30, 2013 were \$2,278.

NOTE 5 – FINANCIAL INSTITUTIONS:

The Association maintains checking accounts at Landmark Bank in Kingston, Oklahoma.

NOTE 6 – LAKE TEXOMA GUIDE ADVERTISING SALES:

For the 2013 Guide to Lake Texoma, the Association entered into a contract with an advertising company. The company solicited and collected all advertising sales revenue on behalf of the Association, however this revenue was not paid to the Association in accordance with the Oklahoma State Statutes. (See page 10 for a schedule of the advertising sales.) The production costs for the Guide to Lake Texoma were paid by the Association in accordance with the Oklahoma State Statutes.

NOTE 7 – RISK MANAGEMENT:

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; unemployment; and natural disasters. The Association purchases commercial insurance for these and other risks of loss. In July 2013, an advertising company filed a claim against the Association for breach of contract with the 2014 Guide to Lake Texoma.



LAKE TEXOMA ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 8 - FAIR VALUE OF INSTRUMENTS:

The Association's financial instruments include cash and cash equivalents, and certificates of deposits. The Association's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial statements approximates fair value because of the short maturity of these instruments.

NOTE 9 – CONTINGENCIES:

Grant expenditures are subject to financial and compliance audits by the grantor agencies or their representatives. Such audits could lead to requests for reimbursements to the grantor agency for expenditures that are disallowed under the terms of the grant. The Association believes that the amount for expenditures that could be disallowed by the grantor agencies, if any, would not be significant.

NOTE 10 -- EVALUATION OF SUBSEQUENT EVENTS:

The Association has evaluated subsequent events through November 8, 2013, the date which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

LAKE TEXOMA ASSOCIATION  
SCHEDULE OF ADMINISTRATIVE AND PROMOTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013

	<u>Allowable</u>	<u>Discretionary</u>
Administrative Expenses:		
Wages	\$ 9,956	\$ 69,211
Payroll taxes		6,547
Employee benefits		17,789
Auto expenses		2,675
Office supplies and postage		1,748
Telephone		3,218
Utilities		2,230
Professional fees		2,207
Dues and subscriptions		1,381
Insurance		3,383
Public relations/meetings		1,002
Other expenses		944
Total Administrative Expenses	<u>\$ 9,956</u>	<u>\$ 112,335</u>
	<u>Allowable</u>	<u>Discretionary</u>
Promotional Expenses:		
Travel shows	\$	\$ 3,550
Literature distribution		3,238
Print Production - Lake Texoma Guide	39,824	22,974
Media Advertising:		
Magazine / brochure		10,360
Radio		1,629
Website		5,464
Promotional items		3,488
Other event expenses (net of advertising costs):		
Membership appreciation		1,461
Bash for Cash		14,432
Fireworks		13,750
Other		1,187
Total Promotional Expenses	<u>\$ 39,824</u>	<u>\$ 81,533</u>

The accompanying report and notes are an integral part of these financial statements.

LAKE TEXOMA ASSOCIATION  
SCHEDULE OF ADVERTISERS  
YEAR ENDED JUNE 30, 2013

**RECREATIONAL GUIDES SALES:**

<b>Sherman, TX:</b>		<b>Mead, OK:</b>	
Sherman Dept. of Tourism, 101 S Travis	\$ 3,500	Newberry Creek, 1582 Newberry Rd	\$ 700
<b>Madill, OK:</b>		ABC Occupational, 7242 Hwy 70	360
Ocean Canyon, 16022 Cumberland Cove	360	Angles Guide Service, 145 Whipporwill Rd	700
American Inn, 601 N 1st St	700	Lake Texoma RV, 6414 US 70 W	360
Marshall Co. Chamber, P O Box 542	3,850	Texoma Oakwood Lodge, 3263 US Hwy 70	160
Best Western, 827 S 1st St	995	<b>Denison, TX:</b>	
Bridgeview Resort, Box 618	1,945	Grandpappy Pt Marina, 132 Grandpappy Dr	1,945
First United Bank, 300 W Lillie Blvd	995	US Corps of Engineers, 351 Corps Rd	2,305
Little Glasses Resort, 13433 Parrot Head Ln	360	Denison Development, 311 W Woodard	1,945
Madill Motor Sales, 807 S 1st St	995	Bayless Hall Insurance, Box 1229	1,945
<b>Kingston, OK:</b>		Highport Marina, 120 Texoma Harbor Dr	1,945
BG's Catch, 605 Hwy 70	360	North Texas Airport, 4700 Airport Rd	995
Bugs R Gone, Box 377	1,300	Texoma Medical Center, Box 890	1,300
Howard's Marine & Auto, 1678 Hwy 70 E	700	Denison Chamber, P O Box 325	3,500
Lynn's Red River Marine, 5063 Shay Rd	360	Eisenhower Yacht Club, 2141 Park Rd 20	700
Texoma Boat, P O Box 640	360	Best Western, 810 N US Hwy 75	360
Tycoon Motorsports, 610 Hwy 70	1,945	Dave's Ski & Tackle, 4411 US Hwy 75	360
Crossroads Grill, 16511 Haircut Rd	360	<b>Tulahoma, OK:</b>	
Enos Mall, 2667 DuGuid Lane	700	Integris Marshall County, Box 1870	1,300
Soldier Creek Marina, Box 341	1,945	<b>Colbert, OK:</b>	
Texoma Agency, P O Box 640	360	Riverview Park, Box 496	1,945
Texoma Lakeside Motel, Box 15-R	360	<b>Pottsboro, TX:</b>	
Texoma Christian Camp, 4558 Christian Camp Rd	360	Pottsboro Chamber, P O Box 995	1,945
Alberta Creek Resort, P O Box 9	1,300	Texoma Striper Fishing, 458 Fisherman Rd	360
Buncombe Creek Resort, Box 521	700	Striper Express Guides, 1079 Locust Rd	360
Escape, Box 491	1,945	Steve Brewer's Guide, 225 Windsor Dr	360
French Construction, Box 234	700	Hydrohoist Boat Lifts, 13703 N FM 120	995
Landmark Bank, Box 710	995	Tanglewood Resort, 290 Tanglewood Cr	1,945
Arrowhead Point Lodge, 5347 Shay Rd	700	Texoma Destination, 21 Tackle Box Dr	1,945
Point Vista Marine, Box 1009	1,300	Steve Cook ERA, Box 725	995
Cabin Fever Adventure, 1609 Texoma Park Rd	360	<b>Gordonville, TX:</b>	
Black Beard Marine, 6339 S Hwy 377	4,075	Lake Texoma Hideway, 49 Ole Cedar Ln	360
<b>Durant, OK:</b>		Cedar Bayou Marina, 513 Cedar Bayou Blvd	700
Cevinche Mexican, 729 N 1st St	360	Big Mineral Camp, P O Box 576	700
Coldwell Bank, 419 W Main	995	Walnut Creek Resort, P O Box 346	1,945
Medical Center, P O Box 1207	360	Gone Fishing RV, 730 Oxford Dr	360
Durant Chamber, 215 N 4th	1,945	Mills Marina, 500 Harbor View Rd	995
Jones Powersports, 9416 US Hwy 70	360	Tow Boat US, P O Box 622	700
<b>Overbrook, OK:</b>		Rock Creek Resort, 21400 FM 901 N	360
Color Pro, 423 Lodge Rd	360	<b>Whitesboro, TX:</b>	
<b>Dallas, TX:</b>		Whitesboro Chamber, P O Box 522	995
Marine Insurance, 2700 Stemmons Fwy	995	Total sales from advertising company	79,805
<b>Denton, TX:</b>		Commission retained by company	(5,201)
Robin Wilson Lakehouse, 534 S Elm	700	Revenue transferred to the Association	<u>\$ 74,604</u>



LAKE TEXOMA ASSOCIATION  
SCHEDULE OF ADVERTISERS  
YEAR ENDED JUNE 30, 2013

**RESORT AND MARINA GUIDE:**

**Denison, TX:**

Eisenhower Yacht Club, 2141 Park Rd	\$ 200
Eisenhower State Park, 50 Park Rd	200
Grandpappy Pt., 132 Grandpappy Dr	200

**Mead, OK:**

Newberry Creek Resort, 1582 Newberry Creek Rd	200
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**Kingston, OK:**

Alberta Creek, P O Box 9	200
Buncombe Creek Resort, 14584 Arrowhead Pt	200
Lake Texoma State Park, 11500 Park Office Rd	200
Soldier Creek Resort, 707 Marina Rd	200

**Madill, OK:**

Bridgeview Resort, P O Box 618	200
Little Glasses Resort, Box 108	200
Texoma Shores, 16022 Cumberland Cove	200

**Pottsboro, TX:**

Flowing Wells, 3217 Flowing Wells Rd	200
Highpoint Marina, 120 Texoma Harbor	200
Lighthouse Resort, 300 Lighthouse Dr	200
Little Mineral Marina, 300 Little Marina Blvd	200
Mill Creek Marina, 512 Mill Creek Resort Rd	200

**Gordonville, TX:**

Big Mineral Camp, PO Box 576	200
Cedar Bayou Marina, 513 Cedar Bayou	200
Cedar Mills Marina, 500 Harbor View Rd	200
Walnut Creek Resort, Box 346	200

Total	<u>\$ 4,000</u>
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<b>Total advertising sales</b>	<u><u>\$ 14,597</u></u>
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SUPPLEMENTAL REPORT  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Board of Directors  
Lake Texoma Association

We have audited the financial statements of the Lake Texoma Association as of and for the year ended June 30, 2013, and have issued our report thereon dated November 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements were prepared using the cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lake Texoma Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Texoma Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lake Texoma Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of control deficiencies, in internal control that there is reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lake Texoma Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of



noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs.

### **Response to Findings**

Lake Texoma Association's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lake Texoma Association's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Kimberlye R. Mayer, CPA, P.C.

Blackwell, Oklahoma

November 8, 2013

LAKE TEXOMA ASSOCIATION  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2013

**Material Weakness in Internal Control Over Financial Reporting: Inadequate Segregation of Duties:**

**Criteria:** The segregation of duties and responsibilities between different individuals and the reconciliation of those asset accounts is an important control activity needed to adequately protect the entity's assets and ensure accurate financial reporting.

**Condition:** Presently, the same individual is responsible for invoicing and receiving payments; making and recording deposits; and reconciling the monthly bank statements. The same individual is also responsible for receiving and reviewing payables invoices and preparing checks. Only limited oversight is provided over this individual in the conduct of their daily functions.

**Cause:** The Association's limited size has made it difficult for management to fully segregate the duties.

**Effect or Potential Effect:** Without sufficient segregation of duties, the risk significantly increases that errors and/or fraud related to the sales and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

**Recommendation:** The board should evaluate the risks associated with the lack of segregation of duties and consider implementing controls that could mitigate these risks.

**Board's Response:** The board has concluded that due to the limited number of personnel, an adequate segregation of duties is not achievable and that the cost of correcting the weakness would exceed the benefits that would be derived from it.

**Noncompliance and Other Matters:**

**Criteria:** Procedures should be in place to ensure that compliance with laws, regulations, contracts and grants are adhered to.

**Condition:** The Association entered into a contract with an advertising company to solicit and collect all advertising sales for the 2013 Guide to Lake Texoma. The revenue from the advertising sales was not paid to the Association in accordance with the Oklahoma State Statutes.

**Cause:** The board was not aware of the state advertising sales revenue requirements.

**Effect or Potential Effect:** Noncompliance with the Oklahoma State Statutes could result in a decrease of future matching funds.

**Recommendation:** We recommend that the board review the requirements in the Oklahoma State Statutes concerning advertising sales revenue.

**Board's Response:** The Association concurs with the recommendation, and will review the requirements of the Oklahoma State Statutes for advertising sales revenue.